

STATE DISTRIBUTIONS

If NSP1 grantees represent the areas of greatest need within a state, does this mean that state programs must allocate all NSP1 funds to these areas? If so, how will NSP1 grantees manage to obligate both direct NSP1 allocations and the additional funding from state programs within the 18-month required timeframe?

It is true that communities receiving direct NSP1 allocations represent the areas of greatest need as determined by HUD's formula allocation methodology, but states are not limited to funding those communities. In many states there are likely to be other communities that qualify for NSP1 funding despite the fact that they did not receive a direct allocation. Each state will have to determine the most appropriate way to allocate its NSP1 funding considering areas of greatest need, as well as past performance and capacity to carry out NSP1 activities within the 18-month required timeframe.

Posted 10/31/08

Are the data sets, down to the block level that were gathered by HUD going to be released to grantees for the entire state?

No, but the data that HUD acquired is available to the Block Group level, which should be sufficient to establish areas of greatest need. HUD's estimates of income levels and housing conditions are contained in those data sets, which are available at:

<http://www.huduser.org/publications/commdevl/NSP1.html>

Posted 11/12/08

Can a state hold back a portion of its allocation for distribution later (e.g. 6 months after the first distribution) because they are concerned that a high foreclosure rate or other market changes are expected in certain areas and they want to make sure they have enough money for those areas?

No. The state is expected to submit the Action Plan substantial amendment based on the full allocation and the conditions in place or expected (see HERA law regarding factor #3—"areas likely to face a significant rise in foreclosures") at the present time. A grantee can submit an amendment to change the plan if circumstances change from what was initially submitted. In addition, a state's substantial amendment can provide that the state will hold 2 separate competitions (and state the criteria that the funds will be competed on) to account for changed conditions. The problem with this approach is that the 18 month-rule still applies, so the competitions would have to be close together in time. In addition, remember, unlike the "regular" CDBG program, simply obligating funds to a unit of general local government/entitlement or other entity does not address the "use" requirements. See the "definitions" section of the Notice.

Posted 11/12/08

Can a state set aside NSP1 funds for rural areas or other target areas, because they just don't have good data on small places yet and don't want to

get a bunch of applications which warrant funding under the targeting criteria and then not have enough money?

A set-aside is not a good idea. The state should outline, to the greatest extent possible, how the funds address the areas of greatest need—including rural areas. States can highlight several rural areas (thus narrowing the field of potential applicants), then collect information from these rural localities to help target NSP1 funds. For example, the state can determine that 5 areas of the state are the highest need, and determine that those areas will get 20% of the available funding each, and then have a competition within those areas to distribute the 20%.

Posted 11/12/08

We are concerned that some of the areas of greatest need may not have the capacity to administer NSP1 funds. As a result, the state would have to hire an NSP1 administrator or administer the areas' allocated funds at the state level. If an area receiving NSP1 funding lacked the capacity to administer the funds it's possible that the state would have to withdraw the funding and reallocate it. Can HUD offer any guidance on how states should handle these situations?

HUD would not force the state to fund an entity that clearly lacks capacity. The State could consider hiring a consultant or awarding funds to a regional planning commission or other entity to help localities of highest need that lack capacity so they can benefit from NSP1.

Posted 11/12/08

If NSP1 funds are distributed on an application or proposal basis for eligible areas with greatest need, can states offer the entire menu of eligible uses and let the localities apply for NSP1 funding based on the activities that best meet their local needs?

The state should have a general sense of the specific needs that exist in the state and then be able to address those needs with the appropriate eligible activity. It is recommended that states first identify which localities are eligible to apply for NSP1 funding. Next, states must determine how NSP1 funding will be distributed amongst these localities based on need. Through the process, states will learn which eligible uses are most appropriate for a given locality. Further, states must determine that localities receiving NSP1 funding have the capacity to administer the funds in a timely manner. Finally, keep in mind if a state chooses to have a competition for NSP1 funding, the criteria for selecting localities must be clear and in conformance with the NSP1 Notice.

Posted 11/12/08

Do all NSP1 activities have to start with a foreclosed property?

No, all activities do not have to start with a foreclosed property. Please review the five eligible uses listed in the NSP1 Notice.

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What types of redevelopment are eligible under NSP1? Must it be all housing, or can some be commercial or public facilities, etc.?

The main purpose of the NSP1 program is to redevelop abandoned and foreclosed homes. Public facilities are permitted under eligible activity “e” to the extent that they support housing. Although commercial redevelopment is not an ineligible use of funds, it is not the intent of the program, and thus should not be a significant use of the state’s NSP1 allocation.

Posted 11/12/08

How does HUD define transitional housing for NSP1?

Non-permanent housing is eligible as a public facility. As this type of housing is not permanent it cannot be counted toward the HERA law provision that grantees must use 25% of NSP1 funds to house individuals or families whose incomes do not exceed 50% of area median income.

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What can be expected in terms of performance measures for NSP1?

HUD is still working through these issues and expects to have more information soon. We will post the information on our website when it becomes available.

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If the NSP1 activities identified in our action plan amendment are not approved or change what should we do?

If there are any problems with the action plan amendment submitted by the state, HUD will notify the state as quickly as possible to address the issue. If the NSP1 activities identified in an approved action plan amendment happen to change, the NSP1 grantee must allow for a 15 day public comment period before submitting a new action plan amendment to HUD.